

ROGERS CITY HOUSING COMMISSION
ROGERS CITY, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name*	Rogers City Housing Commission	County*	PRESQUE ISLE	Type*	OTHER	MuniCode*	
Opinion Date-Use Calendar*	September 9, 2008	Audit Submitted-Use Calendar*	September 13, 2008	Fiscal Year End Month*	06	Fiscal Year*	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$174,000
General Fund Expenditure:	<input type="checkbox"/> ? \$217,338
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$760,787
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)*	Barry	Last Name*	Gaudette	Ten Digit License Number*	1101011050		
CPA Street Address*	731 S. Garfield Avenue	City*	Traverse City	State* MI	Zip Code* 49686	Telephone*	2319468930
CPA Firm Name*	Barry E. Gaudette, CPA, PC	Unit's Street Address*	643 W. Erie Street	Unit's City*	Rogers City	Unit's Zip*	49779

ROGERS CITY HOUSING COMMISSION
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Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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(231) 946-8930
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Independent Auditor's Report

Board of Commissioners
Rogers City Housing Commission
Rogers City, Michigan

I have audited the accompanying financial statements of the business-type activities of the Rogers City Housing Commission, Michigan, a component unit of the City of Rogers City, as of and for the year ended June 30, 2008, which comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Rogers City Housing Commission, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Rogers City Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated September 9, 2008, on my consideration of the Rogers City Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 9, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Rogers City Housing Commission, Michigan's basic financial statements. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying combining financial statements and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects, in all material respects, in relation to the basic financial statements taken as a whole.

Gary E. Jandak, CPA, PC

September 9, 2008

**Rogers City Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2008
(Unaudited)**

As management of the Rogers City Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Rogers City Housing Commission's financial activities for the fiscal year ended June 30, 2008. This discussion and analysis letter of the Rogers City Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transactions has actually taken place.

Financial Highlights

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of June 30, 2007 were \$760,787. The net assets increased by \$7,435, an increase of 1.0% over the prior year.

Revenues and contributions for the Commission were \$224,773 for the year ended June 30, 2008. This was an increase of \$23,349 or 11.6% over the prior year.

Expenses for the Commission were \$217,338 for the year ended June 30, 2008. This was an increase of \$11,453 or 5.6% over the prior year.

HUD operating grant subsidies were \$50,275 for the year ended June 30, 2008. This was an increase of \$12,039 or 31.5% over the prior year. Capital contributions for the Commission were \$50,773 for the year ended June 30, 2008. This was an increase of \$13,170 or 35.0% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the *Financial Data Schedule (FDS)* as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has

Rogers City Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2008
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

**Rogers City Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2008
(Continued)**

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Rogers City Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income. The Housing Commission has 38 low rent units.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital needs. Normally a Housing Commission has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies, but since the Housing Commission has less than 250 units they are permitted to use more than 20%. This program is the primary funding source for physical improvements to its properties.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$760,787 at the close of the year ended June 30, 2008 up from \$753,352 in 2006. The increase in net assets of \$7,435 was due to the change in net assets for the year.

The unrestricted net assets were \$123,993 as of June 30, 2008. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

Rogers City Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2008
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF NET ASSETS
JUNE 30,

	<u>2008</u>	<u>2007</u>	<u>Net Change</u>
Current and other assets	\$ 142,577	\$ 148,606	\$ (6,029)
Capital assets	636,794	620,323	16,471
Total assets	<u>\$ 779,371</u>	<u>\$ 768,929</u>	<u>\$ 10,442</u>
Current liabilities	\$ 17,413	\$ 14,646	\$ 2,767
Noncurrent liabilities	1,171	931	240
Total liabilities	<u>18,584</u>	<u>15,577</u>	<u>3,007</u>
Net assets:			
Invested in capital assets	636,794	620,323	16,471
Unrestricted net assets	123,993	133,029	(9,036)
Total net assets	<u>760,787</u>	<u>753,352</u>	<u>7,435</u>
Total liab. & net assets	<u>\$ 779,371</u>	<u>\$ 768,929</u>	<u>\$ 10,442</u>

Current and other assets decreased by \$6,029, in part, due to the increase in operating expenses of \$11,352 that required the use of current assets.

Current liabilities increased by \$2,767, in part, due to the increase in accrued wages/payroll taxes of \$1,318 and an increase of \$1,285 in accounts payable over the prior fiscal year.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. The increase of \$16,471 in capital assets, is due to the depreciation expense of \$52,310, netted against net, capital outlays of \$68,781.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table total revenues and contributions increased by \$23,349, over the prior fiscal year. Tenant rents decreased by \$2,313 from the prior fiscal year, due to tenant incomes being lower.

Rogers City Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2008
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS JUNE 30,**

	<u>2008</u>	<u>2007</u>	<u>Net Change</u>
Revenues and Contributions			
Dwelling rent	\$ 115,195	\$ 117,508	\$(2,313)
Interest income	5,838	5,157	681
Other income	2,692	2,920	(228)
HUD operating grants	50,275	38,236	12,039
Capital contributions	<u>50,773</u>	<u>37,603</u>	<u>13,170</u>
Total Revenues and Contributions	<u>224,773</u>	<u>201,424</u>	<u>23,349</u>
Expenses			
Personal services	59,067	52,201	6,866
Utilities	34,665	35,482	(817)
Operations and maintenance	30,788	34,183	(3,395)
Protective services	2,280		2,280
Insurance	6,103	6,262	(159)
Other supplies and expenses	32,125	27,277	4,848
Depreciation	<u>52,310</u>	<u>50,480</u>	<u>1,830</u>
Total Expenses	<u>217,338</u>	<u>205,885</u>	<u>11,453</u>
Change in Net Assets	<u>\$ 7,435</u>	<u>\$ (4,461)</u>	<u>\$ 11,896</u>

Total expenses for the Commission increased by \$11,453, in large part, due to the hiring of an assistant in the office in January, increasing security, additional training, and increasing advertising and marketing.

The following represents changes in Federal Assistance received:

<u>Program Source</u>	<u>06/30/08</u>	<u>06/30/07</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Public Housing Operating Subsidy	\$ 45,914	\$ 33,279	\$ 12,635	38.0%
Capital Fund Program	<u>55,134</u>	<u>42,560</u>	<u>12,574</u>	<u>29.5%</u>
Total	<u>\$101,048</u>	<u>\$ 75,839</u>	<u>\$ 25,209</u>	<u>33.2%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The Public Housing subsidy increased from the prior year due to a combination of factors including tenant rent changes, utilities, and HUD's adjustments. Capital Fund Program grants were used for both capital improvements and for operating purposes. During the fiscal year ending June 30, 2008 the 2007 CFP grant of \$41,353 expended \$41,353 this fiscal year was all for capital outlays and the 2008 CFP grant of \$42,527 expended \$13,781, of which, \$9,420 was for capital outlays this fiscal year.

Rogers City Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2008
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ended June 30, 2008 was prepared.

OPERATIONAL HIGHLIGHTS

The Rogers City Housing Commission provided 38 housing units to very low-income elderly and persons with disabilities during the fiscal year ending June 30, 2008. During the fiscal year ending June 30, 2008, the Rogers City Housing Commission maintained a lease-up rate of 95.8% in its Public Housing Program. This lease-up rate is in line with HUD guidelines.

Funding levels for operations and capital improvements are not expected to continue to increase, in accordance with funding cuts at the federal level for these programs. Rogers City Housing Commission will continue to provide safe, affordable housing to eligible persons of low income, and will pursue capital improvements in accordance with the five-year and annual plan. There are no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position(net assets) or results of operations(revenues, expenses, and other changes in net assets).

CAPITAL ASSETS

The Rogers City Housing Commission's investment in capital assets, as of June 30, 2008 amounts to \$636,794 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
JUNE 30,**

	2008	2007	Dollar Change
Land	\$ 42,958	\$ 42,958	\$
Buildings	1,307,354	1,264,800	42,554
Furniture, equip. & machinery-admin.	178,006	176,606	1,400
Building improvements	11,657		11,657
Construction in progress	50,773	37,603	13,170
	1,590,748	1,521,967	68,781
Accumulated depreciation	(953,954)	(901,644)	(52,310)
Total	<u>\$ 636,794</u>	<u>\$ 620,323</u>	<u>\$ 16,471</u>

Rogers City Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2008
(Continued)

CAPITAL ASSETS (CONTINUED)

The total increase in the Commission's capital assets for the current fiscal year was \$16,471 or 2.7% in terms of net book value.

Capital outlays this year included the following: floor covering and a make up air system (ERV).

The next year we will be spending capital funds on carpeting, complete the make up air system, elevator repair, and painting.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that the federal government will continue to provide us with the funding to continue to provide safe, sanitary, and decent housing to our residents.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Sally Goupels, Executive Director
643 W. Erie Street
Rogers City, Michigan 49779

FINANCIAL STATEMENTS

ROGERS CITY HOUSING COMMISSION
STATEMENT OF NET ASSETS
June 30, 2008
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ASSETS

Current Assets:

Cash and cash equivalents	\$ 34,850
Investments-unrestricted	102,834
Prepaid expenses	<u>4,893</u>

Total Current Assets	<u>142,577</u>
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Capital Assets:

Land	42,958
Buildings	1,307,354
Equipment	178,006
Building improvements	11,657
Construction in progress	<u>50,773</u>
	1,590,748
Less: accumulated depreciation	<u>(953,954)</u>

Net Capital Assets	<u>636,794</u>
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Total Assets	<u><u>\$ 779,371</u></u>
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See notes to financial statements

ROGERS CITY HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)

June 30, 2008

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LIABILITIES and NET ASSETS

Current Liabilities:

Accounts payable	\$ 3,712
Accounts payable-other government	8,012
Tenant security deposit liability	2,425
Accrued expenses	<u>3,264</u>

Total Current Liabilities	17,413
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Noncurrent Liabilities:

Accrued compensated absences	<u>1,171</u>
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Total Noncurrent Liabilities	<u>18,584</u>
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Net Assets:

Invested in capital assets	636,794
Unrestricted net assets	<u>123,993</u>

Total Net Assets	<u>760,787</u>
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Total Liabilities and Net Assets	<u>\$ 779,371</u>
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See notes to financial statements

ROGERS CITY HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
Year Ended June 30, 2008
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OPERATING REVENUES:

Dwelling rent	\$ 114,784
Nondwelling rent	411
Operating grants	<u>50,275</u>

Total operating revenues	<u>165,470</u>
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OPERATING EXPENSES:

Administration	58,622
Tenant services	2,657
Utilities	34,665
Ordinary maintenance and operation	44,488
Protective services	2,280
General expenses	14,115
Extraordinary maintenance	8,201
Depreciation	<u>52,310</u>

Total operating expenses	<u>217,338</u>
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Operating income(loss)	<u>(51,868)</u>
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NONOPERATING REVENUES:

Investment interest income	5,838
Other income	<u>2,692</u>

Total nonoperating revenues	<u>8,530</u>
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CAPITAL CONTRIBUTIONS

	<u>50,773</u>
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Change in net assets	7,435
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Net assets, beginning	<u>753,352</u>
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Net assets, ending	<u>\$ 760,787</u>
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See notes to financial statements

ROGERS CITY HOUSING COMMISSION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 115,306
Cash received from operating grants	50,275
Cash payments to other suppliers of goods and services	(97,803)
Cash payments to employees for services	(57,217)
Cash payments for in lieu of taxes	(8,195)
Net cash provided by operating activities	<u>2,366</u>

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES:

Tenant security deposits	325
Other revenue	<u>2,692</u>
Net cash provided by noncapital financing activities	<u>3,017</u>

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES:

Capital grants	50,773
Payments for capital acquisitions	(68,781)
Net cash (used) by capital and related financing activities	<u>(18,008)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments increased	(4,572)
Receipts of interest and dividends	<u>5,960</u>
Net cash provided by investing activities	<u>1,388</u>

Net increase(decrease) in cash (11,237)

Cash, beginning 46,087

Cash, ending \$ 34,850

ROGERS CITY HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2008
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RECONCILIATION OF OPERATING INCOME(LOSS)
TO NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES:

Operating income(loss)	\$(51,868)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	52,310
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	115
Prepaid expenses and other assets	(873)
Increase (decrease) in liabilities:	
Accounts payable	1,285
Accrued wages/payroll taxes	1,318
Accrued compensated absences	266
Deferred revenues	(4)
Accounts payable-PILOT	(183)
Net cash provided by operating activities	<u>\$ 2,366</u>

See notes to financial statements

ROGERS CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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NOTE 1: Summary of Significant Accounting Policies

The Rogers City Housing Commission (Housing Commission) is a component unit of the City of Rogers City, a Michigan home rule City. The Housing Commission is a Public Housing Agency created by the City of Rogers City on August 17, 1966, consisting of a five member board appointed by the City Manager. The Commission was established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government: Rogers City Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing commissions to modernize public housing developments.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and

1(d) Assets, Liabilities, and Equity (Continued)

Estimates and Assumptions (Continued)

expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$100 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 - 40 years
Building improvements	5 - 15 years
Furniture, equipment and machinery	5 - 15 years

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows:

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written collateral agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the fiscal year ended June 30, 2008, the Housing Commission complied in all material respects, with these revenue restrictions.

2(d) Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at June 30, 2008. The categories of credit risk are defined as follows:

Category 1: Insured by FDIC or collateralized with securities held by the Housing Commission(or public trust) or by its agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3: Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

3(a) Cash and Investments (Continued)

Deposits (Continued)

	Total Bank Balance	Custody Category 1	Credit Category 2	Risk Category 3	Total Carrying Value
Demand deposits	\$ 14,042	\$ 14,042	\$	\$	\$ 13,942
Savings	20,758	20,758			20,758
Total Deposits	<u>\$ 34,800</u>	<u>\$ 34,800</u>	<u>\$</u>	<u>\$</u>	<u>\$ 34,700</u>

Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Notes 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at June 30, 2008. The categories of credit risk are defined as follows:

Category 1: Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2: Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3: Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	Custody Category 1	Credit Category 2	Risk Category 3	Carrying Amount	Fair Value
Savings	\$ 11,237	\$	\$	\$ 11,237	\$ 11,237
Certificate of deposits	91,597			91,597	91,597
	<u>\$102,834</u>	<u>\$</u>	<u>\$</u>	<u>\$ 102,834</u>	<u>\$102,834</u>

A reconciliation of cash as shown on the combined statement of net assets follows:

Carrying amount of deposits	\$ 34,700
Petty cash	150
Investments	102,834
Total	<u>\$ 137,684</u>

3(a) Cash and Investments (Continued)

Investments (Continued)

Cash and cash equivalents:	
Enterprise activities	\$ 137,784
Enterprise activities - checks written in excess of deposits	(100)
Total	<u>\$ 137,684</u>

3(b) Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balance 06/30/07</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 06/30/08</u>
Low Rent Program				
Land	\$ 42,958	\$	\$	\$ 42,958
Buildings	1,264,800	42,554		1,307,354
Furniture, equip. & machinery - administration	176,606	1,400		178,006
Building improvements	<u>1,484,364</u>	<u>11,657</u>	<u></u>	<u>11,657</u>
		<u>\$ 55,611</u>	<u>\$</u>	<u>1,539,975</u>
Less accumulated depreciation	<u>(901,644)</u>	<u>\$ (52,310)</u>	<u>\$</u>	<u>(953,954)</u>
Total	<u>\$ 582,720</u>			<u>\$ 586,021</u>
Capital Fund Program				
Construction in progress	<u>\$ 37,603</u>	<u>\$ 13,170</u>	<u>\$</u>	<u>\$ 50,773</u>
Combined Totals				<u>\$ 636,794</u>

3(c) Interprogram Transactions and Balances

The Capital Fund Program transferred \$4,361 to the Low Rent Program during the fiscal year ending June 30, 2008.

There were no interprogram payables from the capital fund program to the low rent program as of June 30, 2008.

NOTE 4: Other Information

4(a) Pension Plan

The Housing Commission does not have a pension plan.

4(b) Equity Transfers

Low Rent Program

Equity transfer from CFP \$ 37,603

Capital Fund Program

Equity transfer to CFP \$(37,603)

4(c) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees, employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Crime, building and contents, errors and omissions, and auto.	Purchased insurance with the Michigan Township Participating Plan.
b. Injuries to employees (workers' compensation)	Purchased insurance with the MML Workers' Compensation Fund.
c. Health	Purchased health insurance with Blue Cross Blue Shield.
d. Life	Purchased life insurance from Stonebridge Life.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(d) Commitments and Contingencies

Commitments - Construction

At June 30, 2008, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2007 CFP	\$ 41,353	\$ 41,353
2008 CFP	42,527	13,781

4(d) Commitments and Contingencies (Continued)

Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4(e) Related Parties

The Housing Commission contracted with Goupell Custom Building during the fiscal year to install linen cabinets, office construction, and other maintenance jobs. This company is owned by the Executive Director's spouse. The total paid to this company was \$4,029 during the fiscal year ended June 30, 2008.

SUPPLEMENTARY INFORMATION

ROGERS CITY HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM

June 30, 2008

=====

	Low Rent Program <u>14,850a</u>	Capital Fund Program <u>14,872</u>
ASSETS		
Current assets:		
Cash-unrestricted	\$ 32,425	\$
Cash-tenant security deposits	2,425	
Investments-unrestricted	102,834	
Prepaid expenses and other assets	<u>4,893</u>	<u> </u>
Total current assets	<u>142,577</u>	<u> </u>
Capital assets:		
Land	42,958	
Buildings	1,307,354	
Equipment	178,006	
Building improvements	11,657	
Construction in progress	<u> </u>	<u>50,773</u>
	1,539,975	50,773
Less accumulated depreciation	<u>(953,954)</u>	<u> </u>
Net capital assets	<u>586,021</u>	<u>50,773</u>
Total Assets	<u>\$ 728,598</u>	<u>\$ 50,773</u>

<u>Totals</u>	
\$	32,425
	2,425
	102,834
	<u>4,893</u>
	<u>142,577</u>
	42,958
	1,307,354
	178,006
	11,657
	<u>50,773</u>
	1,590,748
	<u>(953,954)</u>
	<u>636,794</u>
\$	<u><u>779,371</u></u>

ROGERS CITY HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM (CONTINUED)

June 30, 2008

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 3,712	\$
Accounts payable-other government	8,012	
Tenant security deposit liability	2,425	
Accrued expenses	<u>3,264</u>	
Total current liabilities	17,413	
Noncurrent liabilities:		
Accrued compensated absences	<u>1,171</u>	
Total liabilities	<u>18,584</u>	
Net assets:		
Invested in capital assets	586,021	50,773
Unrestricted net assets	<u>123,993</u>	
Total net assets	<u>710,014</u>	<u>50,773</u>
Total Liabilities and Net Assets	<u>\$ 728,598</u>	<u>\$ 50,773</u>

Totals

\$ 3,712
8,012
2,425
3,264

17,413

1,171

18,584

636,794

123,993

760,787

\$ 779,371

ROGERS CITY HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS BY PROGRAM**
 Year Ended June 30, 2008

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 114,784	\$.
Nondwelling rent	411	
Operating grants	<u>45,914</u>	<u>4,361</u>
Total operating revenues	<u>161,109</u>	<u>4,361</u>
OPERATING EXPENSES:		
Administration	58,622	
Tenant services	2,657	
Utilities	34,665	
Ordinary maintenance and operation	44,488	
Protective services	2,280	
General expenses	14,115	
Extraordinary maintenance	8,201	
Depreciation	<u>52,310</u>	
Total operating expenses	<u>217,338</u>	
Operating income(loss)	<u>(56,229)</u>	<u>4,361</u>
NONOPERATING REVENUES (EXPENSES) :		
Operating transfers in(out)	4,361	(4,361)
Investment interest income	5,838	
Other income	<u>2,692</u>	
Total nonoperating revenues (expenses)	<u>12,891</u>	<u>(4,361)</u>
CAPITAL CONTRIBUTIONS		<u>50,773</u>
Change in net assets	(43,338)	50,773
Equity transfers	37,603	(37,603)
Net assets, beginning	<u>715,749</u>	<u>37,603</u>
Net assets, ending	<u>\$ 710,014</u>	<u>\$ 50,773</u>

Totals

\$ 114,784
411
50,275

165,470

58,622
2,657
34,665
44,488
2,280
14,115
8,201
52,310

217,338

(51,868)

5,838
2,692

8,530

50,773

7,435

753,352

\$ 760,787

ROGERS CITY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended June 30, 2008

=====

	Low Rent Program 14.850a	Capital Fund Program 14.872
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling rents	\$ 115,306	\$
Cash received from operating grants	45,914	4,361
Cash payments to other suppliers of goods and services	(97,803)	
Cash payments to employees for services	(57,217)	
Cash payments for in lieu of taxes	(8,195)	
Net cash (used) by operating activities	(1,995)	4,361
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating transfers in(out)	4,361	(4,361)
Tenant security deposits	325	
Other revenue	2,692	
Net cash provided (used) by noncapital financing activities	7,378	(4,361)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		50,773
Payments for capital acquisitions	(18,008)	(50,773)
Net cash (used) by capital and related financing activities	(18,008)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments increased	(4,572)	
Receipts of interest and dividends	5,960	
Net cash provided by investing activities	1,388	
Net increase(decrease) in cash	(11,237)	
Cash, beginning	46,087	
Cash, ending	<u>\$ 34,850</u>	<u>\$</u>

<u>Totals</u>	
\$	115,306
	50,275
(97,803)
(57,217)
(8,195)
	<u>2,366</u>
	325
	<u>2,692</u>
	<u>3,017</u>
	50,773
(<u>68,781</u>)
(<u>18,008</u>)
(4,572)
	<u>5,960</u>
	<u>1,388</u>
(11,237)
	<u>46,087</u>
\$	<u><u>34,850</u></u>

ROGERS CITY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM (CONTINUED)
Year Ended June 30, 2008
=====

	Low Rent	Capital
	Program	Fund
	14.850a	Program
		14.872

**RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED(USED)**

BY OPERATING ACTIVITIES:

Operating income(loss)	\$ (56,229)	\$ 4,361
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	52,310	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	115	
Prepaid expenses and other assets	(873)	
Increase (decrease) in liabilities:		
Accounts payable	1,285	
Accrued wages/payroll taxes	1,318	
Accrued compensated absences	266	
Deferred revenues	(4)	
Accounts payable-PILOT	(183)	
Net cash provided (used) by operating activities	<u>\$ (1,995)</u>	<u>\$ 4,361</u>

Totals

\$ (51,868)

52,310

115

(873)

1,285

1,318

266

-(4)

(183)

\$ 2,366

ROGERS CITY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended June 30, 2008

=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 32,425	\$
114	Cash-tenant security deposits	<u>2,425</u>	<u></u>
100	Total cash	<u>34,850</u>	<u></u>
	Current Investments:		
131	Investments-unrestricted	<u>102,834</u>	<u></u>
	Other Current Assets:		
142	Prepaid expenses and other assets	<u>4,893</u>	<u></u>
150	Total current assets	<u>142,577</u>	<u></u>
	Noncurrent Assets:		
	Fixed assets:		
161	Land	42,958	
162	Buildings	1,307,354	
164	Furn, equip & mach-admin.	178,006	
165	Building improvements	11,657	
166	Accumulated depreciation	(953,954)	
167	Construction in progress	<u></u>	<u>50,773</u>
160	Total fixed assets, net of accumulated depreciation	<u>586,021</u>	<u>50,773</u>
180	Total noncurrent assets	<u>586,021</u>	<u>50,773</u>
190	Total Assets	<u>\$ 728,598</u>	<u>\$ 50,773</u>

Totals

\$ 32,425
2,425

34,850

102,834

4,893

142,577

42,958
1,307,354
178,006
11,657
(953,954)
50,773

636,794

636,794

\$ 779,371

ROGERS CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended June 30, 2008
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES AND EQUITY/NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 3,712	\$
321	Accrued wage/payroll taxes payable	3,134	
322	Accrued compensated absences-current portion	130	
333	Accounts payable-other government	8,012	
341	Tenant security deposits	<u>2,425</u>	
310	Total current liabilities	17,413	
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>1,171</u>	
300	Total liabilities	<u>18,584</u>	
	Equity:		
508.1	Invested in capital assets	<u>586,021</u>	<u>50,773</u>
508	Total equity	586,021	50,773
	Net Assets:		
512.1	Unrestricted net assets	<u>123,993</u>	
513	Total equity/net assets	<u>710,014</u>	<u>50,773</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 728,598</u>	<u>\$ 50,773</u>

Totals

\$ 3,712

3,134

130

8,012

2,425

17,413

1,171

18,584

636,794

636,794

123,993

760,787

\$ 779,371

ROGERS CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2008
 =====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 114,784	\$
704	Tenant revenue-other	<u>411</u>	
705	Total tenant revenue	115,195	
706	HUD PHA grants	45,914	4,361
706.1	Capital grants		50,773
711	Investment income-unrestricted	5,838	
715	Other revenue	<u>2,692</u>	
700	Total revenue	<u>169,639</u>	<u>55,134</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	29,434	
912	Auditing fees	2,950	
914	Compensated absences	266	
915	Employee benefit contributions-adm.	7,466	
916	Other operating-administrative	18,506	
	Tenant Services:		
924	Tenant services-other	2,657	
	Utilities:		
931	Water	1,137	
932	Electricity	14,801	
933	Gas	16,665	
938	Other utilities expense	2,062	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	20,034	
942	Ordinary maint & oper-mat'ls & other	10,974	
943	Ordinary maint & oper-contract costs	11,613	
945	Employee benefit contributions- ordinary maintenance	1,867	
	Protective services:		
952	Other contract services	2,280	
	General expenses:		
961	Insurance premiums	6,103	
963	Payments in lieu of taxes	<u>8,012</u>	
969	Total operating expenses	<u>156,827</u>	
970	Excess operating revenue over operating expenses	<u>12,812</u>	<u>55,134</u>

<u>Totals</u>	
\$	114,784
	<u>411</u>
	115,195
	50,275
	50,773
	5,838
	<u>2,692</u>
	<u>224,773</u>

29,434
2,950
266
7,466
18,506

2,657

1,137
14,801
16,665
2,062

20,034
10,974
11,613

1,867

2,280

	6,103
	<u>8,012</u>
	<u>156,827</u>

	<u>67,946</u>
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ROGERS CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended June 30, 2008
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	8,201	
974	Depreciation expense	<u>52,310</u>	
	Total other expenses	<u>60,511</u>	
900	Total expenses	<u>217,338</u>	
	Other Financing Sources(Uses) :		
1001	Operating transfers in	4,361	
1002	Operating transfers (out)		<u>(4,361)</u>
	Total other financing sources(uses)	<u>4,361</u>	<u>(4,361)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(43,338)	50,773
1104	Prior period adjustments, equity transfers and correction of errors	37,603	(37,603)
1103	Beginning Net Assets	<u>715,749</u>	<u>37,603</u>
	Ending Net Assets	<u>\$ 710,014</u>	<u>\$ 50,773</u>

Totals

8,201

52,310

60,511

217,338

4,361

(4,361)

7,435

753,352

\$ 760,787

Barry E. Gaudette, CPA, P.C.

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Rogers City Housing Commission
Rogers City, Michigan

I have audited the financial statements of the business-type activities of the Rogers City Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2008, which comprise the Housing Commission's basic financial statements and have issued my report thereon dated September 9, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than inconsequential will not be prevented or detected by the Housing Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Commission's internal control.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

Rogers City Housing Commission

Page Two

Internal Control Over Financial Reporting (Continued)

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2007-1, 2007-2, 2007-3, and 2007-4, respectively.

I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated September 14, 2008.

This report is intended solely for the information and use of management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sandy E. Sandlett, CPA, PC

September 9, 2008

ROGERS CITY HOUSING COMMISSION

SCHEDULE OF FINDINGS

June 30, 2008

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FINDING 2007-1: Low Rent Public Housing Program, CFDA No. 14.850a

Criteria: 24 CFR 85 and HUD Handbook 7460.8 REV.2 (March 2007). Part 85 is the section of the Code of Federal Regulations, Title 24 that includes the administrative requirements for grantees receiving federal funds. Part 85 provides guidance on developing a procurement policy and system, important parts of a contract administration system, general guidance on the standard of conduct for PHA employees involved in procurement of goods and services, requirements for price and cost analysis. The handbook was revised in March 2007 and incorporates changes in Federal laws and regulations

Statement of Condition: The Housing Commission adopted a Procurement Policy on March 7, 2007 that needs to be updated, since the small purchase amount is \$3,000 and should not be higher than \$2,000.

Questioned Costs: None

Perspective Information: The handbook has been updated to clarify, simplify, and update procurement requirements for public housing. It incorporates changes in Federal laws, regulations, and other instructions.

Cause: Some of the areas that have been streamlined include: An increase in the small purchase threshold from \$25,000 to \$100,000 and the establishment of a micro-purchase threshold of \$2,000, requiring only one reasonable quote, among others.

Effect or Potential Effect: The Housing Commission may not be following Federal laws and regulations.

Recommendation: I recommend that the Housing Commission obtain the new handbook and adopt a new procurement policy to be in compliance.

Response: We agree with this finding and we will revise the procurement policy this fiscal year.

ROGERS CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS (CONTINUED)

June 30, 2008

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FINDING 2007-2: Low Rent Public Housing Program - CFDA No. 14.850a

Criteria: 24 CFR 960.253 Choice of Rent

Statement of Condition: During testing of the tenant files, it was discovered that documentation of the tenant's choice of flat rent versus income based rent wasn't available in the tenant files.

Questioned Costs: None

Perspective Information: Five tenant files were selected at random and none of the files had documentation to support the choice of flat rent versus income based rent.

Cause: The staff member in charge of this program was not aware that documentation was required until the fiscal year had already begun at the time of the June 30, 2007 audit.

Effect or Potential Effect: Tenants may have been charged incorrect rents, tenants may not be aware of their rights, and tenants were not given a proper chance to select income based or flat rent.

Recommendation: It is recommended that the Housing Commission document the tenant's annual written choice of flat rent or income based rent in the future.

Response: We have designed a form for the tenant's to sign indicating their choice of flat rent versus income based rent and have begun using it as of the audit date.

ROGERS CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS (CONTINUED)
June 30, 2008
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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FINDING 2007-3: Low Rent Public Housing Program - CFDA No. 14.850a

Criteria: FR 1SEP98 & 902.20(b) and 902.43(a)(5) Annual inspections

Statement of Condition: During testing of the tenant files and inquiry of the staff, it was discovered that annual inspections were not performed this fiscal year.

Questioned Costs: None

Perspective Information: Five tenant files were selected at random and none of the files had the documentation to support that the annual inspection was done.

Cause: The staff member in charge of this program is behind on inspections.

Effect or Potential Effect: The potential effect is that the tenants could be in substandard units.

Recommendation: It is recommended that the Housing Commission once a year perform the annual inspection according to Uniform Physical Condition Standards (UPCS).

Response: Now that we have hired an office assistant, we should have the time to perform the annual inspections.

ROGERS CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS (CONTINUED)

June 30, 2008

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FINDING 2007-4: Low Rent Public Housing Program - CFDA No. 14.850a

Criteria: 24 CFR 960.202 Tenant Selection Policies and 24 CFR 960.206 Waiting List: Local preferences in admission to public housing programs.

Statement of Condition: During testing of new admissions to the program, it was discovered that there is not documentation to show that the tenants were selected in the proper order. Also, the waiting list shows preference points for individuals 62 and older and the disabled, but the ACOP policy does not indicate points for the preference points.

Perspective Information: The most recent waiting list has only five prospective tenants on it.

Population and Items Tested: During inquiry of the staff it was discovered that none of the new tenants selected this fiscal year had documentation showing that they were selected in the proper order.

Recommendation: It is recommended that the Housing Commission update their ACOP policy to indicate the points that are assigned for preferences. Also, is recommended that the Housing Commission place a copy of a current waiting list sorted by preference in a central file every time there is an event that results in a change in the order of the applicants on the waiting list. In addition, if new admissions are not at the top of the waiting list at the time of admission, there should be adequate documentation for anyone above them on the waiting list as to why they were skipped.

Response: We will implement this recommendation immediately.

ROGERS CITY HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
 Year Ended June 30, 2008
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<u>Electronic Submission Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
	(1)		
508.1	Invested in capital assets, net of related debts	\$ 1	
512.1	Unrestricted net assets		\$ 1

ROGERS CITY HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

JUNE 30, 2008

September 9, 2008

To the Board of Commissioners
Rogers City Housing Commission

I have audited the financial statements of the business-type activities of the Rogers City Housing Commission ("Housing Commission") for the year ended June 30, 2008, and have issued my report thereon dated September 9, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133.

As stated in my engagement letter dated September 3, 2008, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing my audit, I considered Rogers City Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. I also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Rogers City Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit. Also in accordance with OMB Circular A-133, I examined, on a test basis, evidence about Rogers City Housing Commission's compliance with the types of compliance requirements

Rogers City Housing Commission
Communication with Those Charged with Governance
Page Two

My Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133 (Continued)

described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Rogers City Housing Commission's compliance with those requirements. While my audit provides a reasonable basis for my opinion, it does not provide a legal determination on Rogers City Housing Commission's compliance with those requirements.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Rogers City Housing Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending June 30, 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There is no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

Management's estimate of depreciation and allowance for bad debt were based on the useful life of the asset and the likelihood of collecting tenant rents based on prior experience. I evaluated the key factors and assumptions used to develop the depreciation expense and bad debt expense allowance in determining that they were reasonable in relation to the financial statements taken as a whole.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no significant disclosures.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated September 9, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those

Rogers City Housing Commission
Communication with Those Charged with Governance
Page Four

Significant Audit Findings (Continued)

*Management Consultations with Other Independent Accountants
(Continued)*

statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

This information is intended solely for the use of the audit committee or its equivalent, management, HUD, and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Barry E. Gaudette, CPA

ROGERS CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
June 30, 2008
=====

PILOT Calculation

The Housing Commission's "Computation of Payments in Lieu of Taxes" on HUD form 52267 does not calculate an adjustment to PILOT for the current non-homestead millage divided by the 1993 total millage rate.

I recommend that the Housing Commission look into this reduction of PILOT, and if allowed, ask the City to correct for prior years. This reduction could be as much as 13% per year.

Policies

The Housing Commission has been updating policies, and still needs to adopt an investment, capitalization, and disposition policies. There may be others, but these were easily apparent to me.

I recommend the Housing Commission implement a procedure of having the bank type, "two signatures required to withdraw the CD", on the certificate of deposit. This would provide an internal control to further safeguard the Housing Commission's assets.

Tenant File Testing - Low Rent Public Housing Program

I selected five tenant files at random from an Ad-hoc Tenant Report provided by the Housing Commission. I started with the second name and picked every seventh name after that.

The results of my testing is as follows:

	<u># of Exceptions</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file of incorrect	0
3. Incorrect Verification of Income	0
4. Incorrect Verification of Expenses	0
5. Incorrect Verification of Assets	0
6. Inspection Report missing for fiscal or was incorrect	5 (1)
* Unit # 2 not done	
* Unit #10 not done	
* Unit #20 not done	
* Unit #29 not done	
* Unit #38 not done	
7. Lease missing or incorrect	0
8. Application missing or incorrect	0

ROGERS CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
(CONTINUED)

June 30, 2008

=====

Tenant Files - Low Rent Public Housing Program (Continued)

	<u># of Exceptions</u>
9. Copy of Photo I.D. missing	0
10. Copy of Proof of Social Security Number Verification missing	0
11. Annual Review not done for fiscal year or not documented	0
12. Worksheet for HUD-50058 missing or incorrect	0
13. Notice of Rent Adjustment missing or incorrect	0
14. Criminal Background Check not done, not documented, or it was in the file	0
15. Declaration of 214 Status missing or incorrect	0
16. Check for Previous Eviction from Public Housing not done or incorrect	0 (2)
17. Annual Family Composition Review missing or incorrect	0
18. Flat Rent/Income Based Rent Choice missing or incorrect	5 (3)
* Unit # 2 no evidence that choice was given	
* Unit #10 no evidence that choice was given	
* Unit #20 no evidence that choice was given	
* Unit #29 no evidence that choice was given	
* Unit #38 no evidence that choice was given	
19. Copy of Birth Certificate missing	
* Unit #10 missing	<u>1</u>
Total	<u>11</u>

Out of a possible a possible 95, there were 11 exceptions from this test. This represents an exception rate of 11.58%. For the fiscal year ended June 30, 2006 the exception rate was 22.2% and for the fiscal year ended June 30, 2005 the exception rate was 63.5%, respectively. The Housing Commission staff has made significant improvements compared to the prior two years.

ROGERS CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
(CONTINUED)

June 30, 2008

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Tenant Files - Low Rent Public Housing Program (Continued)

(1) This exception has been reported as finding item 2007-3 in the audit report. The housing commission staff had done annual inspections in the prior fiscal year, but for various reasons did not do annual inspections this year. It should be noted that the REAC inspector gave the housing commission a "high performer" rating.

(2) These are tenants that were admitted into the program in prior years when there wasn't any evidence of checking on the applicant to discover if they had ever been previously evicted from public housing. The Housing Commission now has a new application form that asks the question "have you ever lived in public housing before, and if yes, list the name and address of the housing commission". Also, the new application form asks the question "have you ever been evicted from public housing, and if yes, what was the reason and where were you evicted from"

(3) This exception has been reported as finding item 2007-2 in the audit report. The Housing Commission has designed a form that gives the tenant a choice of flat rent or income based rent and the form has a place for the tenant to sign and date. The staff had begun to use this form before my fieldwork was completed.